

---

## Jinan Steel gives up financing convertible bond

*Friday, 30 Oct, 2009*

It is reported that the board of directors of Jinan Steel one of the arms of Shandong Steel Group decided to end the plan of issuing convertible bond the mill announced on October 27th.

Mr Chi Caigong secretary of the board of Jinan Steel said that it might be financial crisis and poor market demand that made directors pause the plan. The environment before Jinan Steel changed. He said the plan of convertible bond will be suspended for a period of time our company decided to stop it just for the future development.

On March 10th the steelmaker declared the plan to float not more than CNY 2.9 billion of convertible company bond: face value, CNY 100 duration, 5 years, nominal rate and 0.5% to 2.8%. Shareholders of Jinan Steel were said to have a priority in buying the bond with the minimum volume at 40% of the total.

A senior analyst, who refused to show the name noted Jinan Steel experienced more serious loss than other mills and had to face drying liquidity, since the business of its key product medium plates which once brought in half of revenue for the steelmaker, tumbled due to the continuously poor demand.

According the public introduction, Jinan Steel made medium plates mainly for ship, boiler and construction machine industries. Among them, ship plates occupied the major place. However, Mr Xu Lejiang chairman of Baosteel said in July that ship plate was one of the products which would face the poorest demand this year.

Besides, Jinan Steel was still injured in exports. The senior analyst said the steelmaker shipped out over 10% of its products in 2008 but this year exports dropped nearly to zero. In addition the steelmaker didn't put the CNY 3 billion invested 2.5 million tonnes per year 4300mm wide & heavy plate line into production till now. The new line was formally planed to start working in end September or early October.

The senior analyst noted Jinan Steel might need over CNY 6illion of capital in 2009, but facing limited own funds and loans and high asset liability ratio. Thus issuing convertible bond became one of the suitable ways for the mill to collect money. But, the decision of halting the plan would force the mill to resort to the net profit and capital depreciation.

An official from a state owned mill in Shandong pointed out that "The state lately showed signs of credit squeeze in steel industry which might be related with Jinan Steel's decision."

(Sourced from MySteel.net)

Visit [www.Mysteel.net](http://www.Mysteel.net) for real time access to China steel news

For more news visit at [www.steelguru.com](http://www.steelguru.com)